

Joint Money Committee Speech

Thursday, December 15, 2022

25 Minutes

Accelerating results – going faster and delivering more.

[Welcome, Thank you]

- Thank you, Chairman Knight, Co-Chair Howell, Co-Chair Barker, and Chairwoman Robinson.
- Thank you for inviting me here today.
- I know that all of our hearts are heavy this week as we mourn the loss of a colleague and a friend, Delegate Ronnie Campbell. And I'd ask that you all join me in a moment of silence in his memory.
- Thank you.
- Let's get started simply by saying: buckle up because we're going to go fast.
- The revised budget I am asking you to adopt is all about two things: going faster and getting more done.

- And it is the keystone of our Day 2 Game Plan, which is all about Accelerating Results for Virginians, and taking Virginia to the NEXT LEVEL.
- Before we dive in, I'd like to acknowledge the Lt. Governor, the Attorney General, and the Speaker for joining us here today. They have been great partners, and I am grateful to each of you [Turn and Applaud].
- Of course, I also want to thank my wife, Suzanne, the First Lady of the Commonwealth for joining me this morning. [Turn] Suzanne, I am so inspired by you every single day. Thank you. [Applause led by cabinet]

[Introduction]

- When I stood in front of you in the House chamber in January – and again when I stood in this very room in August – I asked us to work together in partnership to deliver results for Virginia.
- I am here to renew that request; to ask us to lock arms and do the work – with one new caveat
- Virginians don't have time for petty politics...
- The choices before us are not EITHER/OR choices; they are BOTH/AND choices.

- And I will work with any member... of any party... to get results for the people of this Commonwealth.
- This is a mindset I've had since Day One. And it's why we went straight to work making Virginia the best place to live, work, and raise a family.
- But as a businessman, I must be honest: as proud as I am of our progress, I am frustrated every day by the pace of government.
- So, we're going to hit the accelerator.
- Our Day Two Game Plan – and this budget- will accelerate results and deliver more in every corner of the Commonwealth.

[Acceleration]

- **When it comes to lowering the cost of living**, we will accelerate bringing down taxes, accelerate making it more affordable to buy a home and accelerate reining in our electricity bills.
- **When it comes to restoring excellence in education**, we will accelerate raising standards, empowering parents and preparing our workforce.

- **When it comes to our economy**, Virginia will not just be open for business, not just competing, but we are going to accelerate so we compete to win.
- **When it comes to the safety of our communities and our citizens**, we will do more to back the blue, accelerate our efforts to fight violent crime, and get the right help, right now to those who need behavioral health care the most.
- **When it comes to our natural resources**, we will accelerate meeting our Chesapeake Bay goals, safeguarding our communities from recurrent flooding, and preserving our natural wonders.
- **And finally, when it comes to government itself**, we are going to accelerate its transformation, driving better outcomes for less money – that is called efficiency.
- Our next targets for transformation are procurement and real estate- the stuff we buy and the buildings we own. And there are hundreds of millions of dollars of real savings there.

[Why We're Here]

- We are accelerating from an already unprecedented pace for Virginia government.

- Our work over the last year has been pivotal in getting the Commonwealth moving.
- The results are unmistakable.
- The budget provided \$4 billion in tax relief for hardworking Virginians in all walks of life.
- Nearly 100,000 more Virginians are working today versus this time last year. We've recruited flagship companies like Lego, Boeing, Raytheon, Rocket Lab, and Plenty to the Commonwealth.
- We've seen great Virginia companies expand like Hilton, Amazon, Perdue Agribusiness, Lowe's, CoStar, Hitachi Energy, and ThermoFisher.
- And we've seen high growth businesses like DroneUp, AeroFarm, Beanstalk, SmartRoof, and TemperPack accelerate even faster.
- All told, we've won 172 new projects and expansions, totaling \$11 billion in capital investment.
- We passed the Commonwealth's largest investment in education – just as we promised we would. And we created the framework for new and innovative lab schools within the public school system; resulting to date in eight lab school applications and 20 more in the pipeline.

- We stated clearly that in Virginia, we back the blue – providing record salary increases for law enforcement, increasing funding for training and equipment, and rolling back the early release of violent criminals.
- We created an office of transformation to fix broken processes just like we do in business, implementing monthly management reviews and setting metrics at every level.
- The result of that work – and a committed, concerted effort by our state workforce – has resulted in \$1.2 billion in unspent appropriations at the end of this last fiscal year.
- All of that leads us here today and puts us in a position to hit the accelerator and take the Commonwealth to the next level.
- Considering the current storm clouds on the horizon- we must have a sense of urgency.
- The unfortunate reality is failed policies from Washington have created a challenging national economic environment.
- Run-away spending drove inflation up and labor-force participation down. These are now twin threats to Virginian's economic stability.
- We've now seen slowdowns in hiring, layoffs in the tech sector, a sliding and volatile stock market, and an increase in

consumer debt that makes it very clear families are losing the battle against inflation.

- The clear consensus of our business leaders and economic experts is that Virginia will follow the national economy into a recession next year which could last six months or more.
- This budget accounts for the reality of the looming economic storm, the need to accelerate results, and the fact that our state government's financial condition has never been stronger.
- Let me be clear, there is a big difference between Virginia's economic trajectory and the current strength of the state government financial statements.
- Over-taxation... buckets of federal money poured into Virginia during the pandemic... and, yes, some strong management practices have left us absolutely flush with cash;
 - including large carry-forward balances, record reserves well in excess of rating agency expectations, and a multi-year forecast projecting continued large annual surpluses.
- We project for this biennium, \$3.6 billion in unforecasted resources, despite prudently projecting increases to general fund revenue.

- That's on top of roughly \$3.8 billion in reserve dollars, \$2 billion of which is available as liquid cash in the state's cash reserve fund.
- Because of this, we can position Virginia to emerge even stronger on the other side of this recession.
- Our carefully planned budget balances spending priorities and tax cuts, many of which are conditioned on meeting our revenue forecast.
- We believe that even into the downturn, we will hit these revenue projections. This will allow us to make our investments to not only minimize the impact of the recession, but importantly allow us to accelerate out of it.
- In other words – we can press forward responsibly, by going faster, not slower.
- And that, friends, is the central focus of this budget: the acceleration budget taking Virginia to the next level. It's time for
 - More Jobs
 - More Opportunity
 - Better Education
 - Safer Communities

- Smarter Government
- ***And when we bring it all together, Virginia can move forward on all fronts.***

[Jobs – Compete to Win]

- Let me start with jobs.
- When I took office, Virginia was 47th in the country for job recovery coming out of the pandemic. Over the previous eight years, the economy grew at less than one percent per year.
- On January 15th we declared Virginia open for business. Now, nearly 100,000 more Virginians are working today than at the year's start, and we are now top 20 for recent job growth, outpacing some of our competitors, like South Carolina, Tennessee, and Georgia.
- But... let's be honest.... That is still not good enough.
- We want to be the number one state for jobs,
 - number one for capital investment,
 - number one for sites,

- and number one for talent.
- We must go faster. We are not just going to compete; we are going to compete to win against the best - North Carolina, South Carolina, Georgia, Tennessee, Florida and Texas. These states are all top 20 in the nation in pandemic job recovery, and top 15 in population growth.
- Competing with them is not Triple-A ball, it's the major leagues. It's not the JV. It's the Varsity.
- In the most recent fiscal year, there were over 7,000 economic development projects announced across the country representing over 600,000 jobs and almost \$400 billion in capital investment.
- Virginia's share of that was 3.4%, while North Carolina was nearly double that.
- And the difference between JV and varsity when it comes to job growth comes down to three things:

Taxes...

Sites...

And Talent...

- When it comes to taxes, Virginia took a big step last year to cut costs for Virginians. Over \$4 billion in tax relief translated to almost \$1,500 in the first year for a typical Virginia family.
- We can do even more!
- To win the race for jobs, we must put ourselves on a path to reduce both individual and business taxes.
- And if you look back at our competitor states, 2013 emerges as a pivotal year. Our competitor states set themselves on a path to lower business and individual tax rates.
- Meanwhile, while Virginia stood still—and in fact- started increasing and adding new taxes and fees.
- Virginia increased the gas tax and added new sales taxes. Local governments added new taxes and fees. There is even a brand-new regressive carbon tax: RGGI.
- Add these piled up on the backs of Virginians and slowed us down.
- So now, we turn the tide.
- I am proposing that we lower Virginia's business tax rate from six to five percent, the first step toward an ultimate goal of four percent by the end of our administration.

- This first step will mean our business tax rate will be lower than Tennessee, Georgia, and Florida.
- But more importantly, by setting ourselves on a committed path to an even lower rate – like Democrat-led North Carolina was able to do – we will send a clear signal to businesses that we want their jobs and to ignite the Commonwealth’s economic engine.
- Starting down this path is to reject false choices presented in the past.
- Yes, Virginia, we can choose competitive taxes, economic growth and critical investment priorities.
- There’s more...
- For our small businesses, like auto mechanics, hair stylists, or coffee shop owners, we will create a 10 percent deduction on your business income – a direct savings that small businesses will see right away.
- Combined... those two measures result in \$450 million in tax savings each year for businesses, and as we grow, we will lower rates further.
- My fundamental belief is that money is better spent by the businesses, and the business owners, than by the government.

- And the reality is that if we do not take advantage of our current financial position to make ourselves more economically competitive, we will only fall further behind these most competitive states.

[Personal Income Tax]

- As we take that big step on our competitiveness, we're also going to do more to help families.
- The budget amendments I am putting forward today will finish the job on doubling the standard deduction and expanding our military retirement tax relief to all veterans.
- But that is not all we are going to do for Virginia families. I said we were going faster, and I mean it...
- Like business taxes, we must realize what people pay in taxes is part of how they decide where to live.
- We continue to see, year over year, more people move away from Virginia than move here from the other 49. And the vast majority of them are moving to states with lower, or no, state income tax.
- South Carolina, Georgia, and North Carolina have all lowered their personal income tax rates. Tennessee has gone to zero, while Texas and Florida were already there...

opening their doors for hardworking people who want to keep more of the money they rightfully earned.

- We must start walking down that same path to lower rates.
- I am proposing to reduce our income tax rate to 5.5%, saving Virginians **over \$700 million per year.**
- And again, this is just the beginning of what should be programmatic plan to lower rates over time.
- We can grow our way to lower tax rates, keep Virginians, including our veterans, here, attract people from other states, and fuel the economic engine that will drive it all faster....and we are getting started now.

[Budget Announcements - Sites]

- And as we go faster, we will attract major companies to invest in Virginia and create jobs.
- But we also know... businesses like Lego with those good paying jobs must have somewhere to go.
- When Virginia created the business-ready sites program in 2015, the General Assembly only invested \$500,000 per year in the program.

- Until now, the biggest site development grant ever made through that program was \$1.3 million to the Southern Virginia Megasite at Berry Hill in Pittsylvania County.
- Since 2017, North Carolina has won eight industrial mega projects each representing 700 or more jobs and over \$500M in capital investment each. Georgia has announced five projects that exceed those same numbers.
- Just this past week, South Carolina announced a battery facility creating over 1,000 jobs – on a 500-acre site.
- Meanwhile, Virginia has won only one project on a site of over 250 acres over this time period: LEGO.
- The opportunity cost of inaction is clear and alarming: since 2016, Virginia was eliminated on projects that represented more than 55,000 new direct jobs and \$124 billion in capital investment for one reason: SITES.
- We've begun to turn the corner...last year, Virginia's budget put us in the game and when VEDP opened the first \$90 million tranche of fundings for sites, they received over \$335 million in requests.
- Like I said, it's time to quit playing small ball. We are here to win.
- And of course, once you have the jobs and the sites, our people must be ready to fill those vacancies. That's about talent.

[Budget Announcements - Talent]

- I see it every day in the people I meet across Virginia. We have talented people, ambitious people....
- People ready to do hard work and support their families. We just need to help them do it.
- Right now....The State's Workforce Development is spread out over 1,500 training programs, with roughly \$485 million in federal and state funding in a siloed, bureaucratic way.
- Before the General Assembly convenes in January, we will introduce a comprehensive work force consolidation bill to modernize how government supports talent development. It will be about efficiency and effectiveness, measuring outcomes, and getting people jobs...
- In these budget amendments, we are going to accelerate our investments to harness the talent of our people.
- I am proposing over \$60 million in additional investments in talent and workforce development...
- This includes over \$11 million in regional accelerator projects in Hampton Roads, Southside, Central, and Southwest Virginia.

- \$21 million for the Virginia Community College System to create credential opportunities in high school through enhanced dual enrollment to expand career placement services and accelerate the FastForward and G3 program
- It will take a lot of work, but by the time I leave office, I want us to have a plan to graduate every single high school senior with an industry ready credential.
- We also include \$5 million more for the Virginia Talent and Opportunity Partnership to support more innovative internship grant programs.
- And \$24.5 million to accelerate the business-led, GoVirginia Talent Pathways initiative with clear and specific guidelines on the kinds of programs that we will fund, matching local, regional, and private sector funding.
- These efforts, when paired with our broader workforce reorganization will accelerate our efforts to help Virginians, including younger Virginians, obtain the skills necessary for good paying jobs with more opportunities to choose from.
- Folks, this is how we compete to win...
- We get our taxes down to be more competitive.
- We make sure that we have sites on which to put the companies we attract.

- And we invest in talent and workforce training, driven by business needs...
- With my proposed changes, all told Virginia will have made a \$5.9 billion commitment in its economic future... \$5 billion in tax relief, \$500 million in sites, and over \$100 million in talent.
- That... is a statement.

[Budget Announcements - Education]

- This is not the only place where we are going to hit the accelerator.
- Last year we passed the largest K-12 budget in history...
- That included 10 percent raises for teachers, \$100 million for a bipartisan lab school initiative to create choice in the public school system, \$1.25 billion in school construction support, and a big step in elementary school literacy.
- The dismal test results and NAEP scores we've seen over the last six months make it clear how much work we must do.

- The COVID-19 pandemic exacerbated the learning loss brought on by systematic efforts over the last decade to lower standards.
- In addition to the emergency actions already put in motion in October when we set aside \$30 million in federal funds for learning recovery grants, I am proposing that we expand the use of reading specialists to 4th and 5th grade, a \$17 million initiative that brings our biennial commitment on literacy recovery to more than \$63 million dollars.
- We are also including \$7 million more for math specialists at the schools who need the most help, targeting the bottom 10 percent of schools in math performance based on Spring SOLs.
- We are driving \$20 million targeted to two of our biggest early childhood education deserts, in Petersburg and Hopewell and in far Southwest Virginia – Lee, Wise, and Scott Counties – both areas that saw significant pandemic-related learning loss.
- This money will increase the availability of mixed delivery slots to an additional 1,100 children.
- We must accelerate our efforts to bounce back from the damage done by closing our schools and lowering standards.
- And let me be clear: teachers are at the heart of that. A good teacher connecting with a student one-on-one can change a child's life. I've certainly experienced that, with Ms. Betty

Weaver in the fourth grade, and I know everyone in this room has been impacted by a teacher.

- Teachers work every day to make the world around them better – along with nurses and our law enforcement officers.
- They are what we call our quiet heroes. One of the things I am most proud of in this budget is what we are doing for these quiet heroes.
- Combined, it's a package of \$175 million for bonuses, reward incentives, expanded career pathways, and recruitment for the people who serve our communities every day.
- The people who teach our children.... the people who care for us when we're sick.... And the people who keep us safe this Christmas season.
- For teachers, I am proposing a one percent retention bonus to be paid next August.
- I am also proposing a \$50 million investment in what we call the "A+ Teacher Reward Program." This locally driven program will provide \$5,000 bonuses to teachers based on merit.
- This is a way to REWARD the teachers who have the biggest impact. Because they deserve it.

[Budget Announcements - Nurses]

- We all know we need nurses, especially those with advanced nursing credentials. Virginia hospitals have identified a shortage of more than 4,000 nurses at their facilities, and vacancy rates are estimated as high as forty percent across all health care.
- While we always need more students in nursing school, the critical issue we face now is that as many as half students graduating in nursing school aren't able to complete their clinical requirements and don't enter the workforce.
- Nursing education programs are unable to expand capacity because they lack clinical space and faculty.
- That's why this budget includes \$35 million for the Earn to Learn Accelerator, where we will bring together our nursing schools and healthcare providers to expand the number of clinicians and clinical settings providing training for nurses.
- Nurses will EARN – serving at their current certification level – while they LEARN the skills necessary to get an advanced certification.
- An LPN could earn up to \$24 an hour while they work the hundreds of clinical hours need to become an RN.
- We will pair this with a \$10 million investment in Nursing Preceptors – offering up to \$5,000 per semester to veteran

nurses who train the next generation of caring and skilled nurses.

- We are going to accelerate the rebuilding of the nursing pipeline so we can care for one another.
- And finally, in our “quiet heroes” package, we are going to state unequivocally once again that in Virginia – we back the blue.

[Budget Announcements – Operation Bold Blue Line]

- Earlier this year, I launched Operation Bold Blue Line so we could dramatically accelerate our efforts to recruit and retain law enforcement.
- Law enforcement vacancy rates are routinely 20 percent and are approaching 40 percent in some cities in Virginia.
- Prosecution has dropped significantly... witnesses are less willing to come forward.... and it's clear that Virginia's blue line has gotten far too thin.
- So, in a sustained effort to comprehensively address these challenges, we have allocated:
 - \$30 million for national recruiting strategies, and

- \$20 million for additional violence intervention grants, and prosecutors who are tough on crime,
 - \$14 million for courts and public defenders and,
 - \$2.5 million for witness protection.
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- We know this strategy works because we've seen it. In Petersburg, earlier this year, the Virginia State Police worked with local law enforcement to launch an increased surge in law enforcement presence. The result was a 46 percent drop in homicides and aggravated assault with a firearm over a 120-day period.
 - The budget I signed in June included over \$400 million for law enforcement, including historic pay raises. We are including almost \$16 million more in these budget amendments to address compression issues for state police, sheriff's deputies, and others caused by those pay increases.
 - This isn't political. It's commonsense. We've got to fix this for the women and men who put themselves on the line for us every day.
 - When we stand for and with law enforcement, giving them the tools and resources needed to do their jobs, and prosecute crime – our communities get safer.

- We are so grateful for what these quiet heroes do for us every day, and I look forward to working with all of you to have their backs in this upcoming budget.
- One of the issues that our law enforcement grapples with everyday are the problems with our behavioral health system.

[Budget Announcements – Behavioral Health]

- The aftermath of the pandemic has illustrated many challenges. But none are greater than the behavioral health crisis we are experiencing across Virginia and across the nation.
- Our jails, emergency rooms and hospitals are filled with people in mental health or substance use crisis. Law enforcement is overwhelmed. Our teachers are burned out. Parents and families feel lost and alone. Too many Virginians are afraid.
- Almost 1.5 million Virginians have some form of a mental health issue. About 340,000 of those have a serious mental illness.
- The number of fentanyl and opioid deaths, suicides, and yes, murders, devastating families is simply unprecedented.

- Frankly, the Commonwealth's behavioral health safety net is not equipped to address the increasing needs of Virginians.
- Yesterday at Parham Doctor's Hospital, I launched "Right Help, Right Now" an initiative that outlined a package of more than \$230 million in new investments in behavioral health.
- The funding we are going to deliver together is the first step in a three-year transformation toward a strong and stable health safety net. It's part of a bold approach that will make major changes in the system.
- I outlined Wednesday six pillars: same day care, relief of the burden on law enforcement, greater capacity, a focus on substance abuse, a stronger behavioral health workforce, and service innovations.
- While I will not recap the entirety of the package, I want to reiterate the MAJOR steps we can take RIGHT NOW...
- Yes, it's a three-year plan, but the first steps are always the most important.

- Which is why they include my proposal for \$20 million to fully fund the necessary number of mobile crisis units, so we can ensure that every Virginian can get the right help, when they need it.
- We are also asking for \$58 million to increase the number of Crisis Receiving Centers, including FULLY FUNDING the number of necessary centers in Southwest Virginia and Hampton Roads – regions that have been too often left behind – and \$20 million to contract with hospitals to build out psychiatric emergency services. These are TWO big steps on capacity building.
- And, finally, on substance abuse. We will together launch an ongoing crusade against the horrors of fentanyl poisoning and opioid overdose.
- I am so pleased that one of the principal issues the First Lady is focusing on is increasing awareness surrounding fentanyl poisoning, truly helping young people make wise choices.
- That's why she and our Attorney General launched the 'One Pill Can Kill' public awareness initiative around the dangers of counterfeit drugs and fentanyl.
- The work we are about to finish together stands on the shoulders of the broad, bipartisan effort to strengthen

Behavioral Health in the Commonwealth over the last 15 years. Senator Deeds, and so many others, have done yeoman's work, and every success that comes in the years ahead is the result of those long, long hours. Thank you.

[Budget Announcements - Environment]

- And finally, I want to address the real need to accelerate conserving and preserving our beautiful Commonwealth.
- Whether it's Blackwater Park I opened Tuesday in the City of Franklin or the new Mendota trail I opened this summer in Washington County... we are so fortunate to have these natural resources.
- And we must preserve them.
- I am proposing that we add \$685 million to this budget for resiliency, the Chesapeake Bay, and our agricultural best management practices program. This includes:
 - \$100 million in additional general fund support to address the Richmond Combined Sewer Overflow.
 - A \$200 million deposit into the newly created Resilient Virginia Revolving Loan Fund, for flooding prevention projects statewide and to secure our coast lines.
- On top of that, we are going to provide support for the victims of flooding. We will invest another \$11 million in emergency funds for the Buchanan [BUCK-An-En] County

flood victims.

- We will also attack key Chesapeake Bay 2025 goals by investing \$50 million in additional funding for agriculture best management practices on our farms, and \$237 million to fund necessary water system improvements to reduce nutrients.
- While we may not meet our Chesapeake Bay 2025 goals by 2025, we are going to rapidly get back on track.

[Closing]

- Now, I told you to buckle up because we were going to go fast... and we've covered a lot of ground...
- Our economic competitiveness – tax cuts, sites, and talent.
- Education...Our quiet heroes – teachers, law enforcement, and nurses...Turbocharging behavioral health.
- And protecting our beloved Virginia.
- As I wrap up, I want to make the simple case to you.
- Over the remainder of this biennium, we are going to add \$3.6 billion in resources.
- The package I am proposing today includes \$1 billion in additional tax relief, and over \$2.6 billion in new commitments.

- We have taken a prudent approach, designating some aspects of our tax relief package contingent on hitting our revenue targets in FY23.
- The vast majority of those commitments are one time and reflect the reality that one time money must go to one time spending.
- We have also put contingency safeguards in place on other spending proposals, to guard against uncertainty in our already conservative revenue forecast.
- And finally with the strong forecasted revenue growth overtime the outyears of this budget continue to be structurally balanced.
- I say all of that because I want to ask you to join me over the next few months in the spirit of partnership.
- I fully understand General Assembly plays an equal role in crafting our budget, and I respect that.
- And I look forward to hearing and working with each of you to get us across the finish line – on time this year.
- There is so much work to do to make Virginia the best place to live, work, and raise a family – but we only get there by locking arms and working together.

- The question before us is this: over the next few weeks, will you be bogged down by the partisan rancor of an election year? Or will we all together rise above and demonstrate that yes, we can get things done.
- Virginians deserve it.
- The spirit of Virginia is alive. And in order for our great Commonwealth to accelerate we must work together.
- Virginians deserve leadership that works together, going faster to get more done.
- I hope you'll join me.
- Thank you. God Bless You, and God Bless the Commonwealth of Virginia.